Aiken Technical College

Report on the Financial Statements

For the year ended June 30, 2014

AIKEN TECHNICAL COLLEGE

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

MEMBERS OF AREA COMMISSION	Term Expires
Mr. Ernie Allen	Ex-Officio
Ms. Collette Ball	04/15/16
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/18
Ms. K. D. Justyn	08/01/14
Mr. Joe E. Lewis	01/31/15
Mr. Charles L. Munns	04/15/17
Mr. Alvin B. Padgett	04/15/17
Mr. Michael R. Rose, Vice-Chair	04/30/16
Mr. Augustus T. Stephens, Jr., Secretary	01/31/15
Mr. William J. Windley	04/15/16

OFFICERS OF AREA COMMISSION

Mr. Carlos F. Garcia, Chairman
Mr. Augustus T. Stephens, Jr., Secretary
Mr. Michael R. Rose, Vice Chairman

KEY ADMINISTRATIVE STAFF

Dr. Susan A. Winsor, President
Mr. Andy Jordan, Vice-President of Administrative Services
Dr. Gemma K. Frock, Vice-President of Education and Training
Mr. Bryan Newton, Vice President Enrollment Management & Student Experience

AREA SERVED BY COMMISSION

Aiken County, South Carolina

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

State Budget and Control Board
Aiken County, South Carolina
United States Department of Education
United States Department of Labor
United States Department of Energy
United States Department of Commerce
United States Environmental Protection Agency
United States Nuclear Regulatory Commission
South Carolina Department of Education
South Carolina Department of Energy
South Carolina Department of Employment & Welfare

elliott davis

INDEPENDENT AUDITOR'S REPORT

To the Aiken County Commission
for Technical Education
Aiken Technical College
Aiken, South Carolina

Report on the Financial Statements

We have audited the accompanying statements of Aiken Technical College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Aiken Technical College Foundation, Inc., a discretely presented component unit of Aiken Technical College, which represent 100% of the total assets, 100% of the net assets, and 100% of the total revenues of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Aiken Technical College Foundation Inc., is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Elliott Davis, LLC

Augusta, Georgia
September 29, 2014

The management of Aiken Technical College (the "College") offers readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2014. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board (GASB) codifications and related implementation guides. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required before fiscal year 2002.

Financial Highlights

- The assets of Aiken Technical College exceeded its liabilities at June 30, 2014 by $34,777,405. Of this amount, $11,196,714 may be used to meet the College's ongoing obligations.
- The College's total net position increased by $533,493 or 1.56%. The net investment in capital assets increased by $254,211, reflecting the payout of debt related to construction, new capital purchases, as well as annual depreciation.
- The College received $91,725 from state agencies capital transfers. Last year the College received $2,638,853 in total capital funding.
- Purchases of capital (over $5,000 a unit) equipment arose in connection with normal replacements in the amount of $178,555.
- The College experienced an operating loss of $11,413,315 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of $3,782,968, local appropriations of $1,926,121, and certain non-operating federal grants of $5,964,674, primarily for pass-through student financial aid and other non-operating revenues.

Overview of the Financial Statements

The College engages only in Business-Type Activities (BTA) financed, in part, by fees charged to students for educational services. Accordingly, it reports activities using the following three financial statements, required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and total liabilities equals net position, and is displayed in three broad categories: net investment in capital assets, restricted, and unrestricted.

Current GASB codification allows for Statement of Net Position categories entitled "deferred outflows of resources" and "deferred inflows of resources", considered neither assets nor liabilities, but in limited circumstances affect in which fiscal year certain financial accruals of actual or potential transactions are recorded. In fiscal year 2014 the College incurred no such transactions or accruals, and consequently these categories do not appear in the current Statement of Net Position. In future years the College will, at a minimum, include these categories as they relate to the changes noted in the following paragraphs.

Unrestricted net position provides one indication of the current financial condition of the College, while the change in net position indicates whether the overall financial condition has improved or worsened during the year; however, neither the current unrestricted net position, nor the change in net position, will be directly comparable to future years.

This is the last year the unrestricted net position amount shows a direct relationship to the College's legal financial condition, without considering a large and material liability. Beginning next year, recent GASB pronouncements require the College to present a share of the SC Retirement System's (SCRS) net pension liability, potentially payable to retirees in future years, but not supported by projected SCRS investments and funding. The College is not legally liable for SCRS short falls in funding or investment performance, nor does the state require the College to pay out a share of any SCRS potential failure to provide for all future retiree benefits. The College is responsible for annual contributions to the SCRS's retirement plans, based on pre-determined rates noted in the College's financial statement footnotes. SCRS shortfalls may require increases in the College's contribution rate in future years.

The SC Public Employee Benefit Authority (PEBA), the SC government unit overseeing the SCRS states: "Regardless of the NPL (Net Pension Liability) reported on the employer's financial statement, the employer is responsible only for making the contributions required by state law during any given year." [i]

Irrespective of the College's legal liabilities, the College will be required to present a liability, on its financial statements, related to SCRS's net pension liability, large enough to substantially reduce, or eliminate, the College's unrestricted net position (positive balance) total, in future years. This year's College current unrestricted net position total will thus not be comparable to future years, which will contain the currently unknown, but large liability.

A preliminary estimate of the effect on next year's unrestricted net position follows as:

Est SCRS Net Pension Liability (NPL)-statewide[ii]	**21,100,000,000**
ATC share estimated	**0.05120%**
ATC dollar share of net pension liability estimated for FY2015	**10,803,200**
Current Unrestricted Net Position	**11,196,714**
Remaining Unrestricted Net Position after posting ATC NPL, but before next year's revenue & expense	**393,514**

Additionally, depending on annual changes in the SCRS net pension liability from year to year, future balances of the College's unrestricted net position will be more volatile, as the College's balances will depend, in part, on SCRS investment fluctuations in: stock and bond markets; private equity; and hedge funds, affecting future SCRS annual investment performances, which in turn will affect future SCRS annual net pension liabilities, and therefore the College's future share of the SCRS's net pension liabilities.

The Statement of Revenues, Expenses, and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Operating and non-operating categories segment the statement, while expenses are reported by object type. A separate footnote displays expenses reported by function, with a cross reference to the object type.

The Statement of Cash Flows aids readers in identifying the sources and uses of cash by categorizing activities as operating, noncapital financing, capital and related financing. This statement clarifies the College's dependence on state and county appropriations by separating them from operating cash flows. As a result of reporting the non-cash related net pension liability, noted above, in future years, the Statement of Cash Flows will take on increased importance as an indicator of the College's financial viability. The current Statement of Cash Flows will remain more directly comparable to future fiscal year presentations, since annual changes in the net pension liability, net of contributions, will be a non-cash entry, unless changed by the SC legislature.

Financial Analysis

Net position increased over FY 2013 by $533,493. The positive change resulted from cost management appropriate to the College's decline in enrollment and related tuition and fees revenue, as well as slight increases in state and county appropriations and moveable equipment transferred to the College under a US Department of Labor grant to Florence-Darlington Technical College. In addition interest expense was reduced following the extinguishment of the College's long term indebtedness. Operating expenses decreased from $23,465,991 to $21,942,337, including a salary and fringe decrease from $13,172,431 to $12,156,252. Student enrollment decreased by 513 full time equivalent students or 9.38%.

Net position currently serves as a useful indicator of an entity's financial position. The College's total assets exceeded total liabilities by $34,777,405, at the close of the current fiscal year.

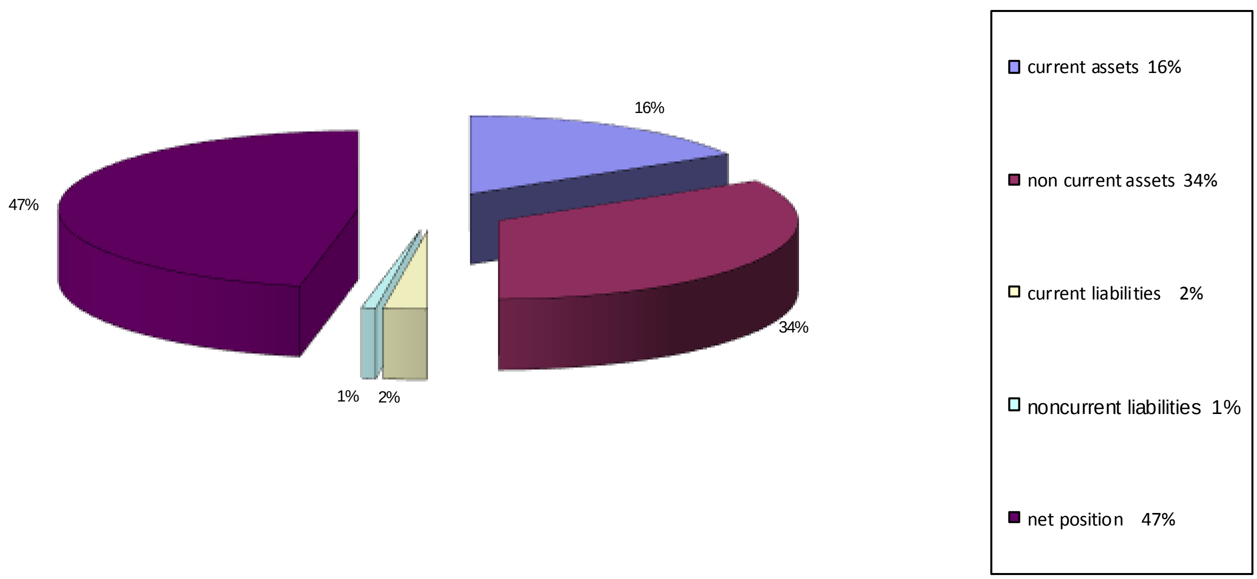
By far the largest portion of the College's net position (62.30%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 5.50% of the College's net position represents resources subject to external restrictions on how they may be used. Unrestricted net position of $11,196,714 (32.20% of total net position) may be used to meet the College's ongoing obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net position listed above represents in excess of six months normal operating funds. Please note the current fiscal year represents the last year this indicator realistically reflects the College's liquidity, as discussed in the foregoing overview.

Total operating expenses decreased during the year by $1,523,654 or 6.49%. The decrease mainly reflects the effort to align the operating budget within enrollment decreases. Salaries and Benefits, the College's largest expense category, decreased by 7.71%, while Supplies and Other Services decreased by 3.65%. Utilities increased by 5.97%. Instruction and Academic Support functions decreased by $856,643 or 8.43%. Student Services and Institutional Support functions expenditures decreased by a total of $47,006 or .93%. Plant Maintenance and Operation decreased by $259,602, or 13.59%, resulting from decreased non-capital projects, and repairs. Depreciation decreased by $20,180 or 1.39%.

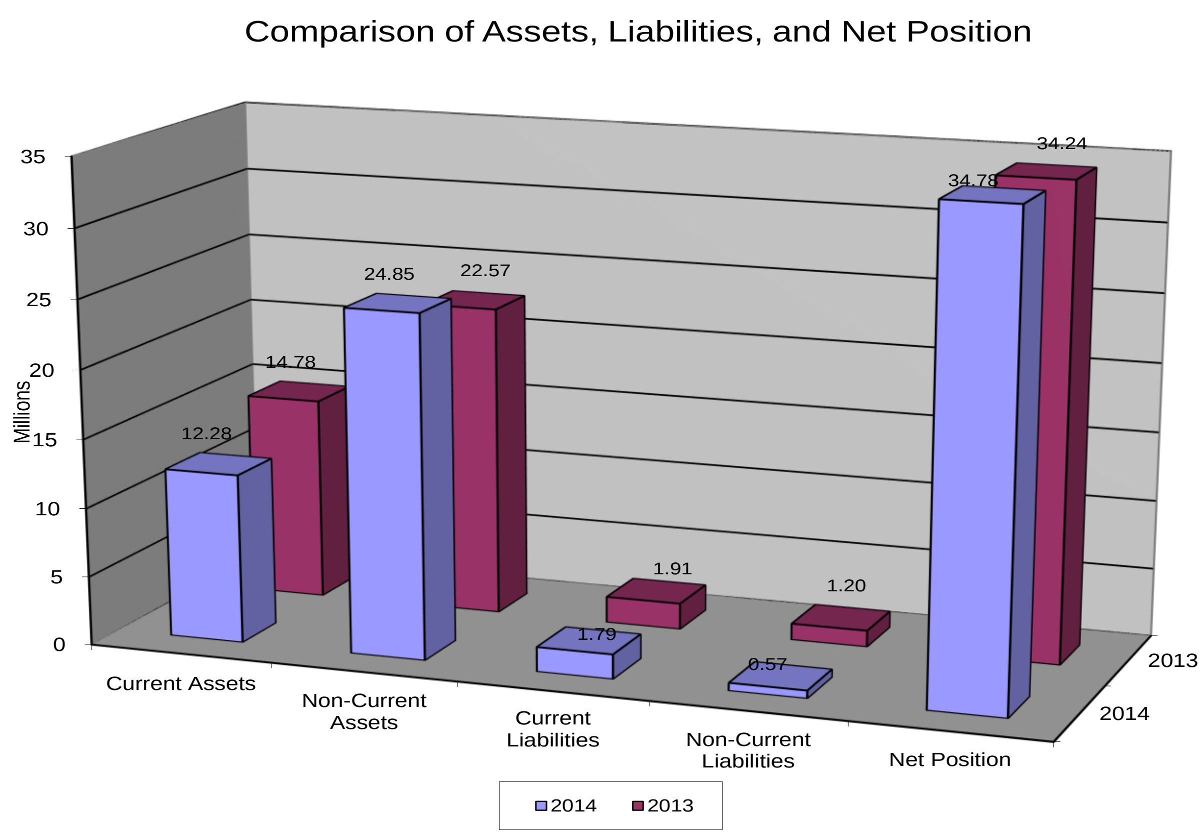
Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2014 and comparisons with the prior year.

Statement of Net Position Pie Chart Summary



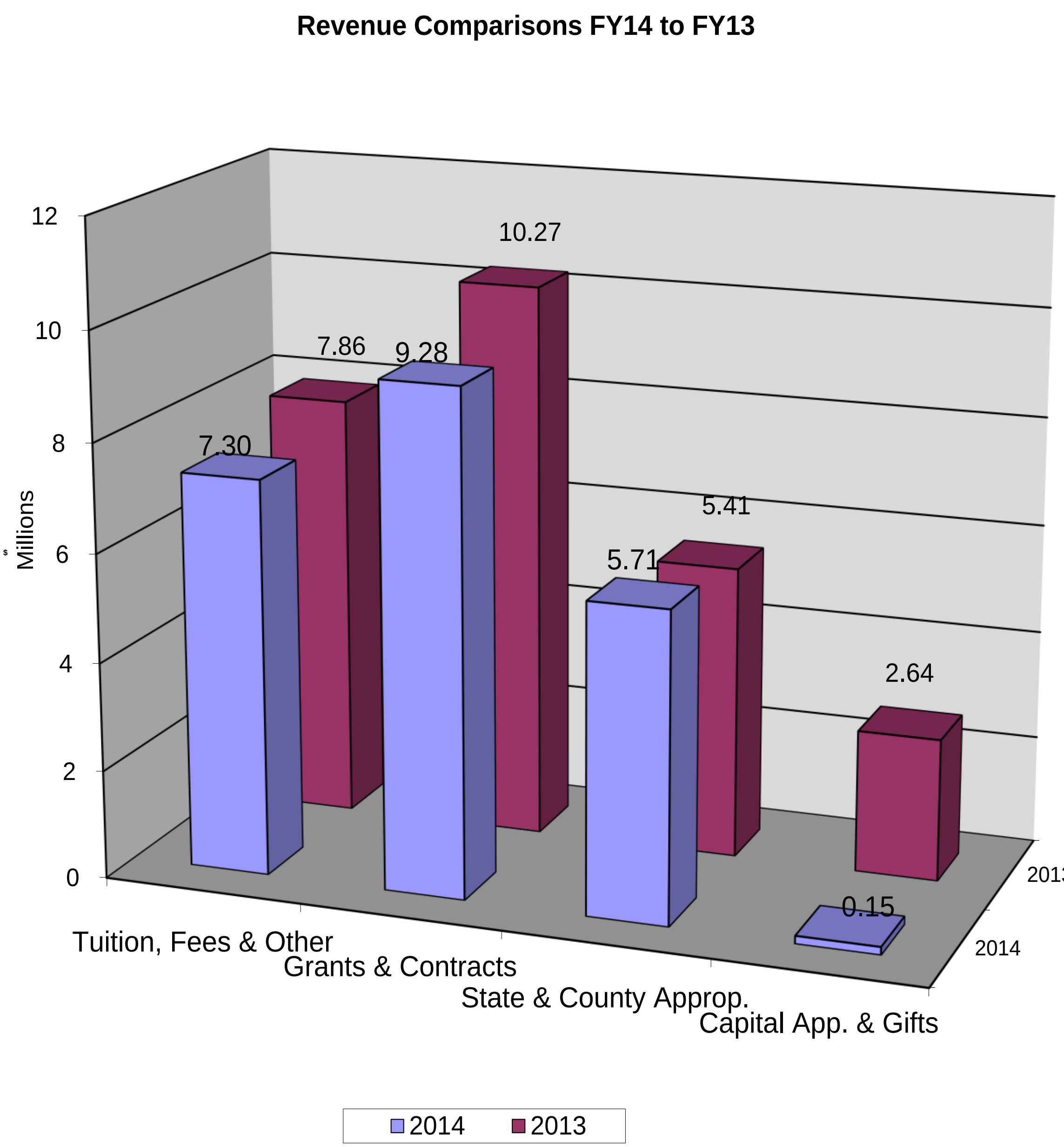
Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.

The following graph illustrates the change from the prior year for Assets, Liabilities and Net Position. Current Assets and Noncurrent Assets increased. Current Liabilities increased and Noncurrent Liabilities decreased. Net Position increased slightly.



Revenue Comparisons

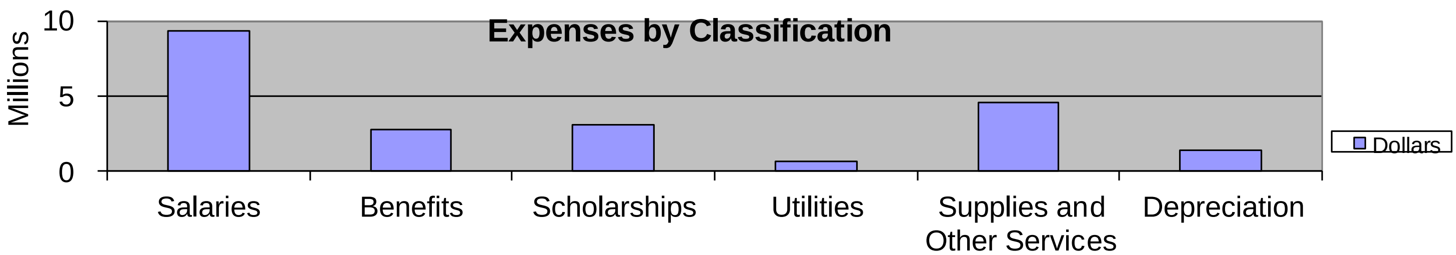
The chart below shows increased Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations increased reflecting a one-time state capital appropriation. Grants and Contracts increased, primarily from federal and state financial aid.

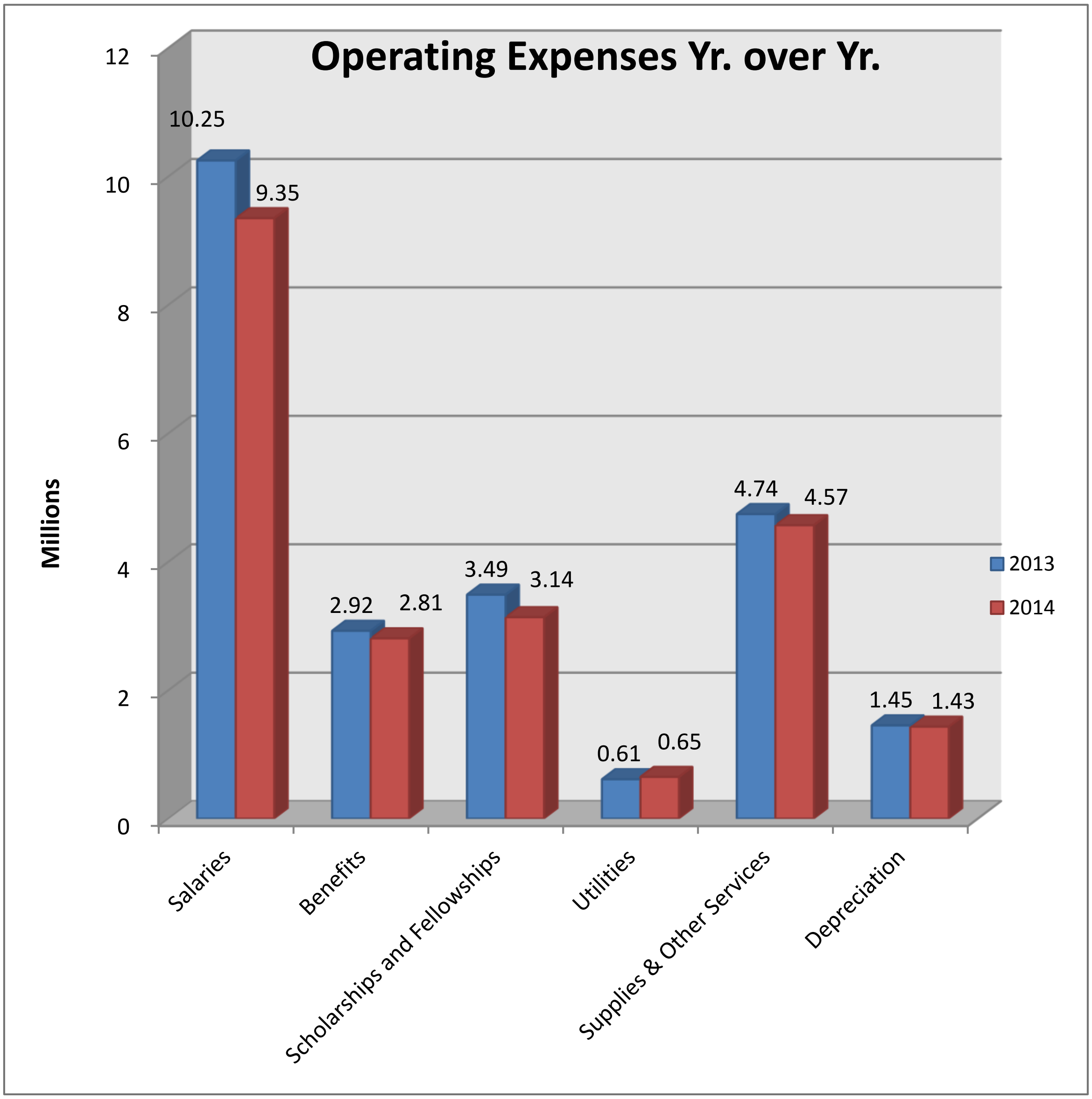


<u>Expenditure Charts</u>

Expenditures for the College are mainly for Salaries and Supplies and Other Services as noted in the chart below:

(See Financial Analysis text for details)




Operating Expenses Yr. over Yr.
Millions
12
10
8
6
4
2
0
10.25
9.35
2.92
2.81
3.49
3.14
0.61
0.65
4.74
4.57
1.45
1.43
Salaries
Benefits
Scholarships and Fellowships
Utilities
Supplies & Other Services
Depreciation
2013
2014

Cash Flows

Cash and cash equivalents decreased by $448,734.

The College paid off all capital related debt in FY 2014, with principal payments of $892,066.

Economic Factors

South Carolina (SC) economy improved during fiscal year 2014. At the end of May 2014 the SC Leading Index (SCLI) rose to a seven year high of 101.51, according to the SC Department of Commerce, who also note a SCLI value greater than 100 forecasts economic growth through the following three to six months[iii].

The SC recovery, reflected in the above indicator, when combined with other state funding priorities, resulted in a small increase of the College's share of state revenues for its current operations, from a comparatively low base. With the improvement in the economy fewer students decided to return to school which is reflected in lower enrollment numbers, as noted in the above first Financial Analysis paragraph.

Summary

The College continued towards previously established goals of empowering students, transforming resources into desired outcomes, and aligning College and business resources by managing costs and tuition to enable the funding of current programs, maintain affordability for students, and provide for the maintenance of physical facilities. This year's financial statements reflect this through conservative spending, reflected by a decrease in non-scholarship expenditures, and a low level of state operational funding. Non-state resources aided the achievement of our goals through: College Foundation community program and scholarship support; Aiken County plant maintenance support; and Federal grant funding for financial aid and College operations.

The College's ability to generate Cash, Investments, and Other Assets in excess of Total Liabilities by $34,777,405, as seen in the Condensed Statement of Net Position on the following page, indicates the fiscal soundness of the College. Readers should note that the soundness depends, in part, on future SC legislative decisions related to the funding of the SCRS net pension liability, noted in Overview section.

Condensed Statements of Net Position

	For the Year Ended		Increase (Decrease)	
ASSETS	30-Jun-14	30-Jun-13	$	%
Cash, investments, and other assets	$ 15,467,242	$ 15,047,705	$ 419,537	2.79
Capital assets, net	21,667,339	22,305,194	(637,855)	(2.86)
Total Assets	37,134,581	37,352,899	(218,318)	(0.58)
LIABILITIES				
Accounts payable and other current liabilities	1,787,825	1,913,519	(125,694)	(6.57)
Long-term liabilities	569,351	1,195,468	(626,117)	(52.37)
Total Liabilities	2,357,176	3,108,987	(751,811)	(24.18)
NET POSITION				
Net investment in capital assets	21,667,339	21,413,128	254,211	1.19
Restricted	1,913,352	2,646,671	(733,319)	(27.71)
Unrestricted	11,196,714	10,184,113	1,012,601	9.94
	$ 34,777,405	$ 34,243,912	$ 533,493	1.56

Condensed Statement of Revenues, Expenditures and Changes in Net Position

	Year Ended 2014	Year Ended 2013	Increase (Decrease) $	Increase (Decrease) %
Operating Revenues				
Student tuition and fees (net of scholarship allowances of $5,016,786 and $7,039,158)	$ 5,711,462	$ 6,080,994	$ (369,532)	(6.08)
Grants & Contracts	3,226,939	3,530,652	(303,713)	(8.60)
Other	1,590,621	1,786,863	(196,242)	(10.98)
Total Operating Revenues	10,529,022	11,398,509	(869,487)	(7.63)
Operating Expenses				
Salaries	9,349,293	10,248,126	(898,833)	(8.77)
Benefits	2,806,959	2,924,305	(117,346)	(4.01)
Scholarships & fellowships	3,136,254	3,487,212	(350,958)	(10.06)
Utilities	649,531	612,938	36,593	5.97
Supplies & other services	4,568,890	4,741,820	(172,930)	(3.65)
Depreciation	1,431,410	1,451,590	(20,180)	(1.39)
Total Operating Expenses	21,942,337	23,465,991	(1,523,654)	(6.49)
Operating Loss	(11,413,315)	(12,067,482)	654,167	5.42
Non Operating Revenues				
State Appropriations	3,782,968	3,628,774	154,194	4.25
County Appropriations	1,926,121	1,781,453	144,668	8.12
Other nonoperating revenues & expenses	6,090,394	6,728,538	(638,144)	(9.48)
Total nonoperating revenues	11,799,483	12,138,765	(339,282)	(2.80)
Income before other revenues (expenses)	386,168	71,283	314,885	441.74
Capital Appropriations, grants & gifts	147,325	2,638,853	(2,491,528)	(94.42)
Increase in Net Position	533,493	2,710,136	(2,176,643)	(80.31)
Net Position:				
Net Position, beginnning of year	34,243,912	31,533,776	2,710,136	8.59
Net Position, end of year	$ 34,777,405	$ 34,243,912	$ 533,493	1.56

[i] http://www.retirement.sc.gov.gasb/GASB%20Fact%20Sheet%20-%20PUBLIC_final__20140117_MBL.PDF
[ii] http://www.peba.sc.gov/meetings/Materials/Combined%20Materials%202%2028%2014.pdf
[iii] SC Department of Commerce Economic Outlook. Division of Research, Volume 7, Issue 6, June 2014, 1st para.

Aiken Technical College

Statement of Net Position

As of June 30, 2014

Assets	
Current Assets	
Cash and cash equivalents	$ 9,630,760
Investments	490,333
Accounts receivable, net	1,641,492
Inventories	380,054
Prepaid expenses	139,283
Total current assets	12,281,922
Noncurrent Assets	
Investments	3,166,802
Restricted short-term investments	18,518
Capital assets, net of accumulated depreciation	21,667,339
Total noncurrent assets	24,852,659
Total assets	37,134,581
Liabilities	
Current Liabilities	
Accounts payable	586,036
Accrued payroll liabilities	105,211
Unearned revenues and advances	1,041,400
Accrued compensated absences - current portion	55,178
Total current liabilities	1,787,825
Noncurrent Liabilities	
Accrued compensated absences	564,805
Restricted liabilities - funds held for others	4,546
Total noncurrent liabilities	569,351
Total liabilities	2,357,176
Net Position	
Net investment in capital assets	21,667,339
Restricted for loan fund	56,640
Restricted for capital improvements	1,856,712
Unrestricted	11,196,714
Total net position	$ 34,777,405

See Notes to the Financial Statements

Aiken Technical College

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2014

Revenues	
Operating Revenues	
Student tuition and fees (net of scholarship allowances of $4,488,017)	$ 5,318,132
Student tuition and fees pledged for revenue bonds	
(net of scholarship allowances of $87,292)	393,330
Federal grants and contracts	833,827
State grants and contracts	2,321,231
Local grants and contracts	71,881
Auxiliary enterprises (net of scholarship allowances of $441,477)	1,068,527
Other operating revenues	522,094
Total operating revenues	10,529,022
Expenses	
Operating Expenses	
Salaries	9,349,293
Benefits	2,806,959
Scholarships and fellowships	3,136,254
Utilities	649,531
Supplies and other services	4,568,890
Depreciation	1,431,410
Total operating expenses	21,942,337
Operating loss	(11,413,315)
Nonoperating revenues (expenses)	
State appropriations	3,782,968
County appropriations	1,926,121
Federal grants and contracts	5,964,674
State and local grants and contracts	86,060
Interest income	46,339
Interest expense	(6,679)
Net nonoperating revenues	11,799,483
Income before capital grants, gifts, and transfers	386,168
Capital transferred in from other state agencies	147,325
Increase in net position	533,493
Net position, beginning of year	34,243,912
Net position, end of year	$ 34,777,405

See Notes to the Financial Statements

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2014

Cash flows from operating activities		
Student tuition and fees (net of scholarship allowances)	$	5,775,897
Federal, state and local grants and contracts		2,774,689
Auxiliary enterprise charges (net of scholarship allowances)		1,287,497
Other receipts		457,442
Payments to employees		(12,044,736)
Payments to vendors		(8,278,656)
Net cash used in operating activities		(10,027,867)
Cash flows from noncapital financing activities		
State appropriations		3,950,310
County appropriations		2,693,405
Federal, state and local grants, gifts, and contracts, non-operating		6,139,028
Expended for agency funds		90
Net cash provided by noncapital financing activities		12,782,833
Cash flows from capital and related financing activities		
Federal, state, and local grants and contracts for capital		147,325
Principal paid on federal loan		(10,067)
Purchase of capital assets		(793,556)
Principal paid on capital debt		(882,000)
Interest paid on capital debt		(6,679)
Net cash used in capital and related financing activities		(1,544,977)
Cash flows from investing activities		
Interest on cash and cash equivalents		24,275
Interest on investments		19,933
Proceeds from the sale and maturity of investments		1,708,459
Purchases of investments		(3,411,390)
Net cash used in investing activities		(1,658,723)
Net decrease in cash and cash equivalents		(448,734)
Cash and cash equivalents, beginning of year		10,079,494
Cash and cash equivalents, end of year	$	9,630,760

(Continued)

See Notes to the Financial Statements

Non-cash capital and related financing activities

The College received, as non-cash transactions, $91,725 in capitalized equipment and $55,600 in non-capital equipment transferred in from another technical college.

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$ (11,413,315)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,431,410
Change in assets and liabilities:	
Accounts receivables, net	(375,380)
Inventories	216,254
Prepaid expenses	(27,001)
Accounts payable	103,021
Accrued payroll liabilities	74,693
Accrued compensated absences	36,822
Unearned revenues	9,020
Advances	(83,391)
Net cash used in operating activities	$ (10,027,867)

See Notes to the Financial Statements

Aiken Technical College - Component Unit

Statement of Financial Position - Aiken Technical College Foundation, Inc.

June 30, 2014

Assets	
Current assets	
Cash and cash equivalents	$ 1,711,892
Pledges receivable	279,994
Total current assets	1,991,886
Other assets	
Investments	5,158,710
Pledges receivable	125,175
	5,283,885
Total assets	$ 7,275,771
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 142,849
Total current liabilities	142,849
Net assets	
Unrestricted	1,162,411
Temporarily restricted	4,862,233
Permanently restricted	1,108,278
Total net assets	7,132,922
Total liabilities and net assets	$ 7,275,771

See Notes to the Financial Statements

Aiken Technical College - Component Unit

Statement of Activities - Aiken Technical College Foundation, Inc.

For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 48,591	$ 427,022	$ 1,125	$ 476,738
Investment income	36,145	64,471	-	100,616
Net investment gains and other income	238,673	461,615	-	700,288
Net assets released from restrictions	213,217	(213,217)	-	-
Total revenues, gains, and other support	536,626	739,891	1,125	1,277,642
Expenses				
Program services				
Scholarships	82,467	-	-	82,467
Equipment and building support	85,015	-	-	85,015
Student programs	8,831	-	-	8,831
Other programs	36,904	-	-	36,904
Total program services	213,217	-	-	213,217
Supporting services				
Management and general	125,633	-	-	125,633
Fundraising	37,730	-	-	37,730
Total expenses	376,580	-	-	376,580
Increase in net sssets	160,046	739,891	1,125	901,062
Net assets, beginning of year	1,002,365	4,122,342	1,107,153	6,231,860
Net assets, end of year	$ 1,162,411	$ 4,862,233	$ 1,108,278	$ 7,132,922

See Notes to the Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations:

Aiken Technical College (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Aiken County, South Carolina. Included in this range of programs are technical and occupational associate degrees, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Reporting entity:

The financial reporting entity, as defined by the Governmental Accounting Standards Board ("GASB"), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Aiken Technical College, as the primary government, and the accounts of Aiken Technical College Foundation, Inc. (the "Foundation"), its component unit. The College is a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 40-member board of the Foundation is elected by the Foundation's Board of Trustees and consists of the President of the College, one or more members of the Aiken County Commission for Technical Education, the Development Office of the College, and other graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) pronouncements. Most significant to the Foundation's operations and reporting model are FASB's, *Accounting for Contributions Received and Contributions Made,* and FASB's, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Reporting entity, continued:

The complete financial statements for the Foundation can be obtained by mailing a request to Mary Commons, Aiken Technical College Foundation, Inc., P. O. Drawer 696, Aiken, SC 29802-0696, by calling (803) 508-7413, or by e-mailing a request to commonsm@atc.edu.

Financial statements:

The financial statements of the College are presented in accordance with GASB's, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB's *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation required by these GASB Statements provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows that replaces the fund-group perspective previously required.

Basis of accounting:

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, cash equivalents and investments:

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". The College accounts for its investments at fair value in accordance with GASB's *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Receivables:

Receivables consist of tuition and fee charges to students, gifts pledged and auxiliary enterprise services provided to students, faculty, and staff. Receivables also include amounts due from federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Receivables are reported net of estimated uncollectible amounts. The College maintains an allowance for uncollectible amounts, which is based upon actual losses experienced in prior years and management's evaluations of the current account portfolio.

Inventories:

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Capital assets:

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if received by gift. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of $5,000, are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Depreciation begins in the month the capital item is included in total assets.

Unearned revenues and advances:

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated absences:

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of liabilities in the Statement of Net Position and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Position, respectively.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

The College's net position is classified as follows:

Net investment in capital assets: This represents the College's total investment in capital assets, net of debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - expendable: This represents resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Restricted expendable net position consists of amounts restricted for debt service, capital improvements, and for the loan fund.

Restricted net position - nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2014, the College did not report any restricted net position – nonexpendable.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.

Income taxes:

The College and Foundation are exempt from income taxes under the Internal Revenue Code and similar state tax code.

Classification of revenues:

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Classification of revenues, continued:

Non-operating revenue: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts, contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and services of education and other activities:

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

Auxiliary enterprises and internal service activities:

Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service activities conducted separately, and in conjunction with auxiliary enterprise activities, and their related College department expenditures, have been eliminated.

Capitalized interest:

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred $6,699 of interest cost during the year ended June 30, 2014, of which $20 was capitalized as part of construction in progress.

Component unit:

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted designated net assets: Unrestricted designated net assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Component unit, continued:

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after September 29, 2014 which is the date these financial statements were available to be issued.

Note 2. State Appropriations

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2014:

Non-capital Appropriations	
Current year's appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for Technical and Comprehensive Education	$ 3,782,968
Total non-capital appropriations recorded as current year revenue	$ 3,782,968
Capital Appropriations	
Current year's appropriations:	
None	$ -
Total capital appropriations recorded as current year revenue	$ -

Note 3. Deposits and Investments

Deposits:

State Law requires that a bank or savings and loan association (both depository financial institutions) receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial credit risk:

Custodial credit risk for deposits is the risk that, a government will not be able to recover its deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College's deposits are categorized to give an indication of the level of risk assumed by the College at year-end.

The deposits for the College at June 30, 2014, were $13,423,239 with a book balance of $13,306,413. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized or not subject to an irrevocable letter of credit. The College recognized no losses due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The deposits for the Foundation at June 30, 2014, were $1,711,892. The Foundation is not bound by State law requiring collateralization of deposits; however the Federal Deposit Insurance Corporation insured the total amount deposited.

Investments:

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements. The College holds certificates of deposit that mature on various dates from December 2014 to July 2017.

The following schedule reconciles cash and cash equivalents, investments, and restricted short-term deposits as reported on the Statement of Net Position.

Statement of Net Position:	
Cash and cash equivalents	$ 9,630,760
Investments	3,657,135
Restricted short-term investments	18,518
Total statement of net position	$ 13,306,413
Deposits and Investments:	
Carrying value of deposits	$ 13,302,163
Cash on hand	4,250
Total deposits and investments	$ 13,306,413

Note 3. Deposits and Investments, Continued

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investment in a single issuer. As of June 30, 2014, the College maintained less than $500,000 in any CD or money market investment. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized or supported by an irrevocable letter of credit, to the highest Aiken County financial institution bidders (branches or home bases), without restriction as to concentration. An exception was made to this policy to diversify investing in FDIC insured money market funds and certificates of deposit at a variety of banks in the Central Savannah River Area.

The Aiken Technical College Foundation, Inc. is not bound by the State investment restrictions that apply to the College, thereby allowing investments in both equities and fixed income securities as listed below:

Aiken Technical College Foundation

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Debt Securities					
Money market mutual funds	$ 80,247	$ 80,247	$ -	$ -	$ -
Bond mutual funds - international	275,481	-	-	275,481	-
Bond mutual funds – domestic	819,405	-	588,711	230,694	-
Total debt securities	1,175,133	80,247	588,711	506,175	-
Other Securities					
Mutual funds - equities	3,469,491	-	-	-	-
Real estate funds	514,086		-	-	-
Total investments	$ 5,158,710	$ 80,247	$ 588,711	$ 506,175	$ -

The Foundation invests in the following rated debt securities:

		Quality Ratings				
Rated Debt Securities	**Fair Value**	**AA**	**B**	**BA**	**Lower than BA**	**Unrated**
Bond mutual fund - international	$ 275,481	$ -	$ -	$ -	$ -	$ 275,481
Bond mutual fund- domestic	819,405	78,900	107,503	87,894	45,245	499,863
Money market mutual funds	80,247	-	-	-	-	80,247
Total fair value	$ 1,175,133	$ 78,900	$ 107,503	$ 87,894	$ 45,245	$ 855,591

Note 3. Deposits and Investments, Continued

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of a security. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Foundation has no policy on interest rate risk.

For the year ended June 30, 2014, the following tables show the securities by the weighted average method. The shorter the maturities, the lower the interest rate risk, with correspondingly less yield.

Aiken Technical College Foundation Rated Debt Securities

Rated Debt Securities	Fair Value	Weighted Average Maturity (in years)
Bond fund - international	$ 275,481	10.91
Bond fund - domestic	819,405	5.79
Money market mutual funds	80,247	0.08
Total fair value	$ 1,175,133	

Note 4. Receivables

Receivables at June 30, 2014, including applicable allowances for uncollectibles, were as follows:

Receivables:	
Student accounts	$ 832,049
Aiken County	107,716
Federal grants and contracts	656,540
State grants and contracts	34,461
Local grants and contracts	281,783
Interest receivable	14,123
Total accounts receivable	1,926,672
Less: allowance for uncollectibles	(285,180)
Net accounts receivable	$ 1,641,492

The College recognized a receivable from the Foundation of $142,849 at June 30, 2014, which is included in the balance above.

Note 4. Receivables, Continued

The Foundation's pledges receivable at June 30, 2014 were as follows:

Pledges receivable	$	411,194
Less unamortized discount		(6,025)
Net pledges receivable	$	405,169
Amounts due in:		
Less than one year	$	279,994
One to five years		125,175
	$	405,169

Pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 1.39%.

Note 5. Capital Assets

	Beginning Balance June 30, 2013	Increases	Decreases	Ending Balance June 30, 2014
Capital assets not being depreciated:				
Land and improvements	$ 926,922	$ -	$ -	$ 926,922
Construction in progress	19,134	482,095	-	501,229
Total capital assets not being depreciated	946,056	482,095	-	1,428,151
Other capital assets:				
Buildings and improvements	35,194,452	132,905	-	35,327,357
Machinery, equipment, and other	4,216,929	178,555	(218,388)	4,177,096
Intangible assets	461,809	-	-	461,809
Vehicles	81,887	-	-	81,887
Depreciable land improvements	1,453,858	-	-	1,453,858
Total other capital assets at historical cost	41,408,935	311,460	(218,388)	41,502,007
Less accumulated depreciation for:				
Buildings and improvements	(15,195,877)	(1,055,576)	-	(16,251,453)
Machinery, equipment, and others	(3,397,821)	(298,605)	218,388	(3,478,038)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	-	(81,887)
Depreciable land improvements	(912,403)	(77,229)	-	(989,632)
Total accumulated depreciation	(20,049,797)	(1,431,410)	218,388	(21,262,819)
Other capital assets, net	21,359,138	(1,119,950)	-	20,239,188
Capital Assets, Net	$ 22,305,194	$ (637,855)	$ -	$ 21,667,339

A lien has been recorded as to purpose and use restrictions for a manufacturing and technology building in connection with a $1,500,000 Economic Development Authority (“EDA”) construction grant. EDA permission and refunding of a portion of the grant is necessary for any change in use or purpose as well as for any sale, lease, conveyance, or other transfer.

Note 6. Retirement Plans

Substantially all College employees are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally all employees are required to participate in and contribute to the SCRS or are eligible to participate in the State Optional Retirement Program (ORP). The SCRS plan provides retirement and disability benefits, survivor options, annual benefit adjustments, death benefits and incidental benefits to eligible employees and retired members.

PEBA maintains five independent benefit plans and issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960. The Retirement Division and the five pension plans are also included in the State of South Carolina's CAFR.

Employees participating in the SCRS plan were required to contribute 7.0% of their annual covered salary effective July 1, 2012. The College is required to contribute at an actuarially determined rate of 15.52% of annual covered payroll. Included in the total SCRS employer contribution rate is a base contribution of 10.45%, .15% for the incidental death program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The College's contributions to SCRS for the years ended June 30, 2014, 2013 and 2012 were $657,751, $690,320 and $604,389, respectively, and equaled the required contributions for each year.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

As an alternative to membership in SCRS, newly hired employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2014, 2013 and 2012 total contributions requirements to the ORP were approximately $224,062, $249,262, and $210,752 (excluding the surcharge) from the College as employer and approximately $62,609, $60,927, and $57,263 from its employees as plan members, respectively.

Note 6. Retirement Plans, Continued

Deferred Compensation Plans:

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Note 7. Postemployment and Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of $21,962 for the year ended June 30, 2014. As discussed in Note 6, the College paid $309,678 applicable to the 4.92% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

Note 8. Contingencies, Litigation, and Project Commitments

In the opinion of the College's management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the future acquisition, construction, renovation and equipping of certain facilities with an approximate cost of $8,335,007, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2014, the College had outstanding commitment balances with engineering firms, construction contractors and vendors related to the project for the above amount.

The College received in part, and anticipates funding the project with current internal resources, private gifts donated through the ATC Foundation, state capital appropriations, and federal grants. The State annually issues capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College had no authorized State capital improvement bond proceeds available to draw at June 30, 2014.

Note 9. Lease Obligations

The College's non-cancelable operating leases for copiers and mail machines provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Rental payments for copier and mailing equipment totaled $53,257 for fiscal year 2014. The College will continue to lease equipment in the future at these approximate amounts.

Contingent copier leases/payments amounted to $42,258 for the fiscal year 2014.

Note 10. Noncurrent Liabilities

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
Bonds payable	$ 881,999	$ -	$ (881,999)	$ -	$ -
Federal grant loan	10,067	-	(10,067)	-	-
Accrued compensated Absences	583,161	36,822	-	619,983	55,178
Total long-term liabilities	$ 1,475,227	$ 36,822	$ (892,066)	$ 619,983	$ 55,178

Note 11. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2014.

The College recorded non-governmental gift receipts of $85,060 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2014. These funds were used to support College programs such as scholarships, Allied Health Salaries, and educational equipment. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and administrative services to the Foundation. The College invoiced the Foundation a total of $57,789 for reimbursement for administrative services provided to the Foundation during the year. The College was due $142,849 from the Foundation as of June 30, 2014. The College had no payables due to the Foundation as of June 30, 2014. The Foundation's assets as of June 30, 2014 were $7,275,771, with net assets of $7,132,922.

Note 12. Risk Management

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets	Torts
Real property, its contents, and other equipment	Natural disasters
Motor vehicles and watercraft	Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College also has employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

Note 13. Statement of Activities Format

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	2014	2013	Increase (Decrease)
Charges for services	$ 10,091,988	$ 11,101,327	$ (1,009,339)
Operating grants and contributions	8,460,228	8,880,604	(420,376)
Capital grants and contributions	147,325	170,369	(23,044)
Less: expenses	(21,949,016)	(23,515,938)	1,566,922
Net program expense	(3,249,475)	(3,363,638)	114,163
Transfers			
State appropriations	3,782,968	3,628,774	154,194
State capital appropriations	-	2,445,000	(2,445,000)
Total transfers	3,782,968	6,073,774	(2,290,806)
Change in net position	533,493	2,710,136	(2,176,643)
Net position, beginning of year	34,243,912	31,533,776	2,710,136
Net position, end of year	$ 34,777,405	$ 34,243,912	$ 533,493

Note 14. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2014 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$ 5,525,484	$ 1,637,388	$ -	$ -	$ 961,432	$ -	$ 8,124,304
Academic support	807,881	237,197	-	-	141,342	-	1,186,420
Student services	1,181,923	361,543	-	-	603,705	-	2,147,171
Operation and maintenance of plant	193,688	57,372	-	649,531	750,406	-	1,650,997
Institutional support	1,635,958	513,459	-	-	713,721	-	2,863,138
Scholarships	-	-	3,136,254	-	-	-	3,136,254
Auxiliary enterprises	4,359	-	-	-	1,398,284	-	1,402,643
Depreciation	-	-	-	-	-	1,431,410	1,431,410
Total operating expenses	$ 9,349,293	$ 2,806,959	$ 3,136,254	$ 649,531	$ 4,568,890	$ 1,431,410	$ 21,942,337

Aiken Technical College

Reports of Independent Certified Public Accountants
Required by Government Auditing Standards
and OMB Circular A-133

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Aiken County Commission
for Technical Education
Aiken Technical College
Aiken, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Aiken Technical College (the "College") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 29, 2014. Our report includes a reference to other auditors who audited the financial statements of Aiken Technical College Foundation, Inc., as described in our report on Aiken Technical College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of Aiken Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elliott Davis, LLC

Augusta, Georgia
September 29, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE, REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Aiken County Commission
for Technical Education
Aiken Technical College
Aiken, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Aiken Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and discretely presented component unit of Aiken Technical College as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Elliott Davis, LLC

Augusta, Georgia
September 29, 2014

Aiken Technical College

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2014

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant/Contract Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
U. S. Department of Education			
Federal Pell Grant Program (PELL)	84.063P	P063P133288	$ 6,003,129
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007A	P007A133759	84,887
Federal Work-Study Program (FWS)	84.033A	P033A133759	83,643
Federal Direct Student Loans (FDSL)	84.268	P268K143288	3,423,299
Total Student Financial Assistance Cluster			9,594,958
OTHER PROGRAMS			
U.S. DEPARTMENT OF EDUCATION			
Passed Through South Carolina Department of Education			
Vocational Education-Basic Grants to States	84.048A	14VA401	142,429
Subcontract from USC-Aiken Math-Science-Project	84.366B	USCA-Subcontract	9,844
Total U.S. Department of Education			152,273
U.S. DEPARTMENT OF LABOR			
Contract Passed Through Florence Darlington Technical College			
Trade Adjustment Assistance Community College & Career Training Grant, ASSIST	17.282	Subcontract	412,506
Total U.S. Department of Labor			412,506
Nuclear Regulatory Commission			
Nuclear Quality Systems Tech Ed Project	77.006	NRC-HQ-12-G-38-0036	135,845
Total Nuclear Regulatory Commission			135,845
U.S. DEPARTMENT OF ENERGY			
Passed Through Savannah River Site Community Reuse Organization			
ANSR Education in Nuclear Science Field Subgrant Year Three	81.104	DE-EM0001232	115,177
ANSR Education in Nuclear Science Field Subgrant Year Four	81.104	DE-EM0001232	6,584
Total U.S. Department of Energy			121,761
Total Other Programs			822,385
Total Expenditures of Federal Awards			$ 10,417,343

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Aiken Technical College. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Note 3. Loans

The Federal District Student Loan program provides loan capital directly from the federal government to students and their parents. No loan balance is recorded at the College level.

AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program
84.063P	Student Financial Aid Cluster
84.007A	Student Financial Aid Cluster
84.268	Student Financial Aid Cluster
84.033A	Student Financial Aid Cluster
17.282	Trade Adjustment Assistance Community College & Career Training Grant, ASSIST

Dollar threshold used to distinguish between type A and type B programs	$312,520
Auditee qualified as low-risk auditee?	No

II Financial Statement Findings

No matters were reported.

AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

III Findings and Questioned Costs for Federal Awards

No matters were reported.

AIKEN TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

Identifying Number: 2013-1

Audit Finding: This finding was a significant deficiency stating that the College did not properly report a student to the National Student Loan Data System ("NSLDS") for monies owed to the College for a refund for Title IV monies.

Corrective Action Taken: The College Financial Aid department wrote a Title IV award recalculation process control procedure which included maintaining an Excel workbook that tracks the Financial Aid department's actions performed for students affected by a Title IV recalculation, to include the dates of the recalculation, the due date for submission for non-payment to the NSLDS website and the date of submission to the website. The College worked with the US Department of Education to correct the specific instance and report the control procedure. The US Department of Education considered the finding closed in January 2014.